

BANK INDONESIA REGULATION

NUMBER: 12/10/PBI/2010

CONCERNING

THE THIRD AMENDMENT TO BANK INDONESIA REGULATION NUMBER
5/13/PBI/2003 CONCERNING THE NET OPEN POSITION FOR COMMERCIAL
BANKS

BY THE GRACE OF ALMIGHTY GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas the global economic development leads to various challenges in Indonesian economy;
 - b. whereas in facing such challenges, efforts are required to strengthen monetary and financial system stability in order to maintain the sustainability of economic growth in medium and long terms;
 - c. whereas one of the efforts for strengthening monetary and financial system stability is the financial market deepening, including the domestic foreign exchange market deepening by remaining in compliance with the application of the prudential banking principles; and
 - d. whereas based on the considerations as referred to in points a, b and c, it is deemed necessary to make the

third amendment to Bank Indonesia Regulation Number 5/13/PBI/2003 concerning The Net Open Position for Commercial Banks;

- In view of :
1. Act Number 7 Year 1992 concerning Banking (State Gazette of the Republic of Indonesia Year 1992 Number 31, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 Year 1998 (State Gazette of the Republic of Indonesia Year 1998 Number 182, Supplement to State Gazette of the Republic of Indonesia Number 3790);
 2. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as most recently amended by Act Number 6 Year 2009 concerning the Stipulation of Government Regulation In Lieu of Law Number 2 Year 2008 concerning the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia into Act (State Gazette of the Republic of Indonesia Year 2009 Number 7, Supplement to State gazette of the Republic of Indonesia Number 4962);

3. Act Number 21 Year 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Year 2008 Number 94, Supplement to State Gazette of the Republic of Indonesia Number 4867);
4. Bank Indonesia Regulation Number 5/13/PBI/2003 concerning The Net Open Position for Commercial Banks (State Gazette of the Republic of Indonesia Year 2003 Number 84, Supplement to State Gazette of the Republic of Indonesia Number 4307) as most recently amended by Bank Indonesia Regulation Number 7/37/PBI/2005 (State Gazette of the Republic of Indonesia Year 2005 Number 92, Supplement to State Gazette of the Republic of Indonesia Number 4538);

HAS DECIDED:

To stipulate : BANK INDONESIA REGULATION CONCERNING THE THIRD AMENDMENT TO BANK INDONESIA REGULATION NUMBER 5/13/PBI/2003 CONCERNING THE NET OPEN POSITION FOR COMMERCIAL BANKS.

Article I

Several provisions in Bank Indonesia Regulation Number 5/13/PBI/2003 concerning the Net Open Position for Commercial Banks (State Gazette of the Republic of Indonesia Year 2004 Number 84, Supplement to State Gazette of the Republic of Indonesia Number 4307) as most recently amended by Bank Indonesia Regulation Number 7/37/PBI/2005 (State Gazette of the Republic of Indonesia Year 2005 Number 92, Supplement to State Gazette of the Republic of Indonesia Number 4538) shall be amended as follows:

1. The provision of Article 1 point 1 shall be amended so that Article 1 shall read as follows:

Article 1

1. Bank shall be a Commercial Bank as referred to in Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998, including branch offices of foreign banks in Indonesia and Sharia Commercial Bank as referred to in Act Number 21 Year 2008 concerning Sharia Banking, which has obtained the license from Bank Indonesia to conduct banking business activities in foreign exchanges.
2. Capital shall be the core and complementary capital as set out in the applicable Bank Indonesia provisions regulating minimum capital adequacy requirement of Commercial Banks at the position of the end of month prior to the reporting month.

3. Closing exchange rate shall be the closing exchange rate at 16.00 Western Indonesia Time every day which can be seen in Commercial Bank Daily Report managed by Bank Indonesia.
2. The provisions of Article 2 paragraph (1) sub-paragraph b and paragraph (3) shall be deleted, so that Article 2 shall read as follows:

Article 2

- (1) Banks must manage and maintain Net Open Position at the end of business days with the following conditions:
 - a. at the maximum of 20% (twenty percent) of the Capital in overall.
 - b. Deleted.
- (2) The overall Net Open Position as referred to in paragraph (1) sub-paragraph a is the sum of the absolute value of the total of:
 - a. net difference of the assets and liabilities in the balance sheets for every foreign currencies; plus
 - b. net difference of receivables and liabilities, either in the form of commitments or contingencies, in the administrative account for every foreign currencies,
all of which shall be nominated in Rupiah.
- (3) Deleted.

- (4) Foreign currencies assets as referred to in paragraph (2) sub-paragraph a shall comprise cash, gold, demand deposit account (including demand deposit account with Bank Indonesia), deposit on call, time deposits, deposit certificates, margin deposits, securities, credits extended, net value of export drafts which have been acquired, inter-office accounts of assets and other receivables, in foreign currencies, either for residents or non-residents.
- (5) Foreign currencies liabilities as referred to in paragraph (2) sub-paragraph a shall comprise demand deposit account, deposit on all, time deposits, deposit certificates, margin deposits, securities, credits extended, net value of export drafts which have been acquired, inter-office accounts of liabilities, other comprehensive income from foreign currencies securities other than shares and other liabilities in foreign currencies, either for residents or non-residents.
- (6) Administrative accounts as referred to in paragraph (2) sub-paragraph b shall be accounts in foreign currencies which may result in account payable and or liabilities in the future, which are in the form of commitments and contingency, including spot, bank guarantee or L/C which have been assured to become liabilities of the Banks after being deducted by margin deposits and derivative transactions, among others forward, option and future transactions or other similar products, either for residents or non-residents.

3. The provisions of Article 3 shall be amended and supplemented so that Article 3 shall read as follows:

Article 3

- (1) In addition to the obligations to manage and maintain Net Open Position at the end of business day as referred to in Article 2, Banks must manage and maintain Net Open Position in the maximum of 20% of the Capital every 30 (thirty) minutes as of the opening of the treasury system of Banks until the closing of the treasury system of the Banks.
- (2) The calculation of Net Open Position every 30 (thirty) minutes as referred to in paragraph (1) shall use the Closing exchange rate on the previous business day.
- (3) Net Open Position every 30 (thirty) minutes as referred to in paragraph (1) shall be the sum of the overall Net Open Position at the end of the previous business day and the treasury open position at the end of every 30 (thirty) minute tenure.
- (4) The treasury open position at the end of every period of 30 (thirty) minutes as referred to in paragraph (3) shall constitute the net difference between foreign exchange sale and purchase transactions in relation to the treasury activities of Banks in the final position in the relevant 30 (thirty) minute tenure.

- (5) The calculation of the treasury open position as referred to in paragraph (4) shall include foreign exchange transactions which have been made (deal done) but have not been inputted into the treasury system.
4. The provisions of Article 7A shall be amended so that they shall read as follows:

Article 7A

- (1) Banks must administer information which supports the monitoring of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1).
- (2) Bank Indonesia may ask for information as referred to in paragraph (1) if necessary.
- (3) In the event of a violation of the obligation for the management and maintenance of Net Open Position at the end of business day as referred to in Article 2 paragraph (1) and Net Open Position every 30 (thirty) minutes as referred to in Article 3 paragraph (1), Banks must submit report on such violation to Bank Indonesia in the format as referred to in Appendix 1 hereto.
- (4) The violation report as referred to in paragraph (3) shall be submitted by no later than at 16.00 Western Indonesia Time on the 2nd (second) business day following the occurrence of the violation.

- (5) The violation report as referred to in paragraph (3) shall be signed by at least an executive official of the Banks.

5. The provisions of Article 10 shall be amended so that they shall read as follows:

Article 10

- (1) Violation of the provisions as referred to in Article 1A, Article 6 paragraph (4), Article 7A paragraph (1) and Article 8 paragraph (1) shall be subject to administrative sanction in the form of written reprimand.
- (2) Banks committing violations of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1) shall be subject to the following sanctions:
 - a. a written reprimand; and
 - b. a financial penalty in the amount of Rp250,000,000.00 (two hundred and fifty million rupiah) for each day of violation or in the maximum amount of Rp5,000,000,000.00 (five billion Rupiah) in 1 (one) calendar year.
- (3) Banks committing violations of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1) for more than 1 (one) business day and do not submit any report during the tenure as

referred to in Article 7a paragraph (4), shall be subject to sanction in the form of a decrease to 1 (one) lower level of assessment of the management factor and an increase of risk profile for the Compliance Risk in the assessment of Banks' soundness level during 2 (two) tenure of assessment after the exit meeting, in addition to the sanctions as referred to in paragraph (2).

6. Between Article 10 and Article 11, 2 (two) article, namely Articles 10A and 10B, shall be inserted, which shall read as follows:

Article 10A

- (1) In the event that a Bank commits a violation of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1) for 5 (five) consecutive business days or 15 (fifteen) business days within 1 (one) calendar year, but the Bank has submitted the violation reports, in addition to the sanctions as referred to in Article 10 paragraph (2), the responsible management and/or executive officials shall be subject to a fit and proper test in accordance with the regulations of Bank Indonesia concerning fit and proper test.
- (2) In the event that a Bank commits a violation of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1) for more than 1 (one) business day and the Bank does not submit the report within the period of time as referred to in Article 7A paragraph (4), in addition of the sanctions as referred to in Article 10 paragraph

(2) and Article 10 paragraph (3), the responsible management and/or executive officials shall be subject to a fit and proper test in accordance with Bank Indonesia provisions regulating fit and proper test.

Article 10B

Sanctions related to the level of soundness as referred to in Article 10 paragraph (3) and the provisions as referred to in Article 10A paragraph (2) shall not be applicable in the event that the violation of Net Open Position as referred to in Article 2 paragraph (1) and Article 3 paragraph (1) for more than 1 (one) business day occurs because of any correction to the capital calculation based on the results of audits by Bank Indonesia.

Article II

This Bank Indonesia Regulation shall be effective on July 1, 2010.

For the purpose public cognizance, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

On July 1, 2010

Acting GOVERNOR OF BANK INDONESIA

[Signed]

DARMIN NASUTION

Promulgated in Jakarta

On July 1, 2010

MINISTER OF LAW AND HUMAN RIGHTS OF THE
REPUBLIC OF INDONESIA

[Signed]

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2010 NUMBER

83

DPNP/DPD

ELUCIDATION
ON
BANK INDONESIA REGULATION
NUMBER: 12/10/PBI/2010
CONCERNING
THE THIRD AMENDMENT TO BANK INDONESIA REGULATION NUMBER
5/13/PBI/2003 CONCERNING THE NET OPEN POSITION FOR COMMERCIAL
BANKS

I. GENERAL

Economic dynamics at present and in the future lead a number of challenges that require monetary stability and solid financial system in order to maintain medium-term and long-term sustainable economic growth. One of the efforts to strengthen monetary and financial system stability is the financial market deepening, including the domestic foreign exchange market deepening which will allow banks to have adequate space for managing their foreign exchange exposures by remaining in compliance with the prudential banking principles.

In such context, Bank Indonesia has revised provisions on Net Open Position of Commercial Banks. Such policy measure is expected to be able to give positive contributions for the overall economy of Indonesia.

II. ARTICLE BY ARTICLE

Article I

Point 1

Article 1

Self-explanatory.

Point 2

Article 2

Paragraph (1)

Sub-paragraph a

Capital used shall be the Capital after
calculation of the capital deductions.

Sub-paragraph b

Deleted.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

The value of assets being calculated shall be
equal to the book value, namely the value after
being deducted by provisions for losses
established in the same currency.

The definition of other receivables shall
include, among other things, participation in
foreign currencies, fixed assets of branch
offices abroad (after being deducted with
depreciation), accrued interest income,

acceptance receivables, reverse repo transactions and derivative receivables.

Inter-office account of assets for branch offices of foreign banks shall include all inter-office accounts of assets with offices abroad, including those calculated in the components of capital (Operating Funds).

Paragraph (5)

The definition of other liabilities shall include, among other things, securities issued by banks, accrued expenses, acceptance liabilities, repo transactions and derivative liabilities.

Inter-office accounts of liabilities for branch offices of foreign banks shall be all inter-office accounts of liabilities of offices abroad, including those calculated in the components of capital (Operating Funds).

Paragraph (6)

The value of administrative accounts being calculated shall be equal to the book values, namely the values after being deducted with provisions for losses established in the same currencies.

Article 3

Paragraph (1)

The 30 (thirty) minute-tenure shall be intended for providing adequate time for Banks to conduct “squaring” on the open position of the transactions made.

Example of the calculation within every 30 (thirty) minutes after the opening of the treasury system shall be as follows:

- a. The treasury system of Bank A is opened at 08.00 Western Indonesia Time. Net Open Position with the maximum limit of 20% of the Capital at the end of every 30 (thirty) minute-tenure is calculated as of 08.00 Western Indonesia Time with an interval of 30 (thirty) minutes, namely as follows:
 - At 08.30 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital.
 - At 09.00 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital.

- At 09.30 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital; and
 - so forth until the closing of the treasury system.
- b. The treasury system of Bank B is opened at 07.45 Western Indonesia Time. Net Open Position with the maximum limit of 20% of the Capital at the end of every 30 (thirty) minute-tenure is calculated as of 07.45 Western Indonesia Time with an interval of 30 (thirty) minutes, namely as follows:
- At 08.15 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital.
 - At 08.45 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital.
 - At 09.15 Western Indonesia Time: Net Open Position in the maximum of 20% of the Capital; and
 - so forth until the closing of the treasury system.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The overall Net Open Position at the end of the previous business day is the Net Open Position of each foreign currency before being taken as an absolute value.

Example:

(In Rupiah)

	USD	JPY	Total
Overall Net Open Position at the end of the previous business day	50	(40)	
Treasury open position at the end of every 30 (thirty) minute-tenure on the current business day	(10)	20	
Net Open Position at every interval of 30 (thirty) minutes	40	(20)	20

Assumed Amount of Capital = 100, then Net

Open Position at the end of every 30 (thirty)

minute-tenure = $(20 / 100) \times 100\% = 20\%$

Paragraph (4)

Referred to as “treasury activities” shall be, among other things, foreign exchange sale and purchase transactions made in the dealing room.

Paragraph (5)

Example:

The opening of the treasury system of Bank A is at 08.00 Western Indonesia Time. If there is a foreign exchange transaction at 08.20 Western Indonesia Time but it has not been inputted into the treasury system up to 08.30 Western Indonesia Time, the transaction concerned is to be included in the calculation of Net Open Position at the end of every period of 30 (thirty) minutes at 08.30 Western Indonesia Time.

Point 4

Article 7A

Paragraph (1)

Supporting information shall include, among other things, deal conversation, deal confirmation, blotter and/or other supporting information.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The submission of reports from Banks to Bank Indonesia shall be addressed as follows:

- a. Bank Indonesia attn. Directorate of Bank Supervision responsible for the supervision of the relevant banks, Jl. M.H. Thamrin Number 2 Jakarta 10350, for Banks existing in the operational area of the Bank Indonesia Head Office (KPBI)_(DKI Jakarta, Bogor Regency/City, Depok City, Tangerang Regency/City, Bekasi Regency/City, Kerawang Regency);
- b. Bank Indonesia Regional Office (KBI), for Banks existing outside the operational area of the Bank Indonesia Head Office (KPBI) as referred to in point a.

Paragraph (4)

Example of time for reporting of violation of Net Open Position exceeding the maximum limit of 20% of capital shall be as follows:

- a. If the violation of Net Open Position every 30 (thirty) minutes occurs on Monday, August 2, 2010, the Bank shall submit the violation report by no later than on Wednesday, August 4, 2010 at 16.00 Western Indonesia Time.
- b. If the violation of Net Open Position every 30 (thirty) minutes occurs on Friday, September

17, 2010, the Bank shall submit the violation report by no later than on Tuesday, September 21, 2010 at 16.00 Western Indonesia Time.

- c. If the violation of overall Net Open Position at the end of a business day occurs on Monday, August 2, 2010, the Bank shall submit the violation report by no later than on Wednesday, August 4, 2010 at 16.00 Western Indonesia Time.
- d. If the violation of overall Net Open Position at the end of a business day occurs on Friday, September 17, 2010, the Bank shall submit the violation report by no later than on Tuesday, September 21, 2010 at 16.00 Western Indonesia Time.

Paragraph (5)

Referred to as “executive official” shall be executive official as referred to in Bank Indonesia provisions regulating Commercial Bank and Sharia Commercial Bank.

Point 5

Article 10

Self-explanatory.

Point 6

Article 10A

Self-explanatory.

Article 10B

Self-explanatory.

Article II

Self-explanatory.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA

NUMBER 5140

Appendix to Bank Indonesia Regulation No. 12/10/PBI/2010 dated July 1, 2010

Appendix 1

Ref. No.

*) To

The Directorate of Bank Supervision

Bank Indonesia Head Office

Jl. M. H. Thamrin Number 2

Jakarta 10350

**) To

The Management of Bank Indonesia

Jl.

<u>Bank's Name</u> <u>Date of Report</u>		
No.	Time of occurrence of the violation	Amount of NOP Every 30 (thirty) Minutes (in % of the Capital)
1.
2.

<u>Bank's Name</u> <u>Date of Report</u>		
No.	Time of occurrence of the violation	Amount of Overall NOP (in % of the Capital)
1.
2.

..... (name of city), (date)

(Name of Executive Official)
(Position)

*) Address of Bank Indonesia Office for Banks which Head Offices are located within the Operational Area of the Bank Indonesia Head Office (KPBI)

**) Address of Bank Indonesia Office for Banks which Head Offices are not located within the operational area the Bank Indonesia Head Office (KPBI)